



Debt Collection 101



What is a Debt?

A debt is any amount that is owed to the United States by a person, organization, or entity other than a Federal agency. Some examples are:

- Loans (direct, insured & guaranteed)
- Overpayments
- Fines and penalties



What is a Delinquent Debt?

A debt becomes delinquent when:

- Payment has not been made by the **payment due date**, or by the end of the “grace period” as established in a loan or repayment agreement, as in the case of a debt being paid in installments
- Payment is not made by the due date specified in the initial billing notice, in the case of administrative debts such as fines, fees, penalties, and overpayments. The due date is usually 30 days after the agency mailed the notice. The date of delinquency is the date the agency mailed or delivered the billing notice



Examples of Delinquent Debts

- Example: Borrower's loan payment is due January 1. The loan agreement allows a grace period of 15 days, meaning that the lending agency will not assess late charges or declare the loan delinquent if the payment due on January 1 is made before January 16. If Borrower makes his or her payment before January 16, the loan is not delinquent. However, if Borrower fails to make a payment by January 16, then the loan is delinquent and the *date of delinquency is January 1* (the payment due date)
- Example: Agency discovers that duplicate payments were made to beneficiary and seeks to recover the overpayment. On March 1, the Agency mails a notice to beneficiary informing him about the overpayment. The notice states that payment must be made by March 31 to avoid assessment of late charges and enforced collection action. If beneficiary pays the amount requested before March 31, then the debt is not delinquent. However, if beneficiary fails to pay by March 31, then the debt is delinquent, and the *date of delinquency is March 1* (the date of the initial notice about the debt)



Does an Agency Have to Try to Collect a Delinquent Debt?

YES!!!!

Agencies have a statutory duty to try to collect delinquent debts owed from the public.



What are the Steps in Trying to Collect a Delinquent Debt?

- Seek Voluntary Repayment
- Initiate Involuntary Collection Action
- Take Appropriate Action on Uncollectible Debt



Laws, Regulations and Guidance that Apply to Debt Collection

The Debt Collection Authority Hierarchy

STATUTES

Agency Statutes

Federal Claims Collection Act

Debt Collection Act of 1982

Deficit Reduction Act of 1984

Debt Collection Improvement Act of 1996

REGULATIONS

Agency Regulations

Treasury Regulations (31 CFR part 285)

OPM Salary Offset Regs (5 CFR part 550)

Federal Claims Collection Standards (31 CFR parts 900-904)

GUIDANCE

OMB Circular No. A-129

Managing Federal Receivables

Agency Policies

Guide to the Federal Credit Bureau Program



Government-wide Regulatory References

Voluntary Payment

- Notice to the Debtor – Demand for Payment FCCS (31 CFR 901.2)
- Lump Sum Payments/Installments FCCS (31 CFR 901.8)
- Compromise FCCS (31 CFR Part 902)

Involuntary Collection

- Collateral liquidation FCCS (31 CFR 901.7)
- Interest, Penalty, Administrative Cost FCCS (31 CFR 901.9)
- **Offset** **Multiple (see next slide)**
- Reporting to Credit Bureaus, etc. FCCS (31 CFR 901.4)
- Private Collection Agencies FCCS (31 CFR Part 901.5)
- Administrative Wage Garnishment FMS Regulations (31 CFR 285.11)
- Litigation FCCS (31 CFR Part 904)
- Barring Delinquent Debtors FMS Regulations (31 CFR 285.13)
- Cross-servicing FMS Regulations (31 CFR 285.12)

Unable to Collect

- Termination of Collection Action FCCS (31 CFR Part 903)
- Write-off OMB Circular No. A-129
- 1099-C Reporting to IRS IRS Regulations (26 CFR 1.6050P-1)



Government-wide Regulatory References Offset

Offset in General	FCCS (31 CFR 901.3)
Non-Centralized Offset	FCCS (31 CFR 901.3(c))
Centralized Offset at FMS	FCCS (31 CFR 901.3(b))
	FMS Regulations (31 CFR 285.5)
Tax Refund Offset/Fed. Debt	FMS Regulations (31 CFR 285.2)
Tax Refund Offset/Child Sup.	FMS Regulations (31 CFR 285.3)
Benefit Payment Offset	FMS Regulations (31 CFR 285.4)
Salary Offset	OPM Regulations (5 CFR 550.1101-1110)



Government-wide Regulatory References Offset (Cont'd)

Tax Refund Offset/State

Income Tax Debt FMS Regulations (31 CFR 285.8)

State Reciprocal Offset FMS Regulations (31 CFR 285.6)



What are Some of the General Concepts That Apply to Delinquent Debt Collection?

- Agency Regulations
- Program Goals and Debt Collection
- Due Process
- Privacy Protection for Individuals
- Determining Appropriate Collection Techniques to Use
- Establishing a Collection Strategy



General Concepts

- **Agency Regulations –**

Generally, each agency must publish its own regulations, consistent with the government-wide rules, regulations and procedures

- **Program Goals and Debt Collection –**

Examples of program goals – homeownership, recovery from a disaster, having medical professionals serve in underserved communities

General Rule – an agency should determine early in the debt collection process (normally in the first 60 days) whether the debtor will work with the agency to achieve the program goal



General Concepts (Cont'd)

- **Due Process** – is Notice and Opportunity to Dispute

Constitutional Requirement: The Fifth Amendment to the United States Constitution provides that no person shall “be deprived of life, liberty or property without due process of law...”

Statutory Requirement: Statutes and regulations define how much process is required

The Right Thing to Do: Mistakes can be made, and we all would like notice before something adverse occurs



General Concepts (Cont'd)

- **Privacy Protection for Individuals**
 - Privacy Act of 1974
 - System of Records
 - Notices (Publication)
 - Restriction on disclosure of records
 - Routine Uses



General Concepts (Cont'd)

- **Determining Appropriate Collection Techniques to Use**
 - Whether the agency is required by law to use the debt collection tool (see next slide)
 - Size and age of the debt
 - Type of debt (e.g. Commercial or Consumer)
 - Availability of debt collection tool
 - Requirements for use of the debt collection tool
 - Whether tools can be used concurrently with other tools
 - Time and resources required to use the tool
 - Feasibility of using each tool, including any legal or contractual constraints
 - Cost of each tool relative to the size of the debt. Cost of using the tool should never exceed collection



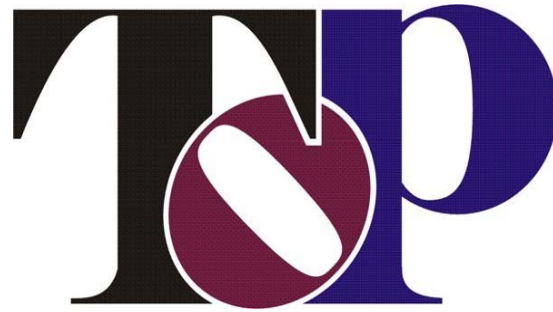
General Concepts (Cont'd)

- **Debt Collection tools required by law:**
 - Demand for payment
 - Add late charges to the debt (interest, penalties, and administrative costs)
 - Report delinquent debts to credit bureaus
 - Refer debts that are 180 days delinquent to FMS for Cross-Servicing
 - Refer debts that are 180 days delinquent to FMS to be placed in the Treasury Offset Program (TOP) if debts have not been referred to TOP through the Cross-Servicing referral
 - Bar delinquent debtors from receiving loans or loan guaranties
 - Use any debt collection tools specifically mandated by agency statute or regulation



General Concepts (Cont'd)

- **Establishing a Collection Strategy**
 - A collection strategy is an organized plan of action incorporating the various collection tools to be used by an agency to recover debt
 - Each agency should establish and implement effective collection strategies that suit the agency's programs and needs and meet all statutory requirements
 - A collection strategy will facilitate debt collection by providing a systematic, uniform method for collecting classes of delinquent debts



Treasury Offset Program



What is the Treasury Offset Program (TOP)?

- TOP is a centralized offset process that intercepts Federal payments of payees who owe delinquent debts to agencies that have submitted debt information to FMS

Offset is withholding funds payable by the United States to a person to satisfy a debt owed to the United States or to a state



Centralized offset is the offset of payments disbursed by FMS and other Federal disbursing agencies through the TOP



Is Offset Mandatory?

YES!

- Debts delinquent more than 180 days must be sent to FMS for centralized offset
- Agencies are required to notify Treasury of delinquent debts, and disbursing officials are required to offset payments
- Types of payments which may be offset:
Tax refunds, salary, military and civilian retirement pay, contractor payments, tax overpayments, benefit payments, travel reimbursement, other Federal payments and State payments.



What is the Treasury Offset Program?

- TOP is one of the largest and most effective tools in collecting delinquent debts for Federal and state agencies:
 - Debts owed to the United States (tax & non-tax)
 - Child support obligations enforced by state agencies
 - State income tax debts
 - Other State debts through Reciprocal Agreement Pilot Program
 - Collections total over **\$3 billion** per year



How Does the Treasury Offset Program Work?

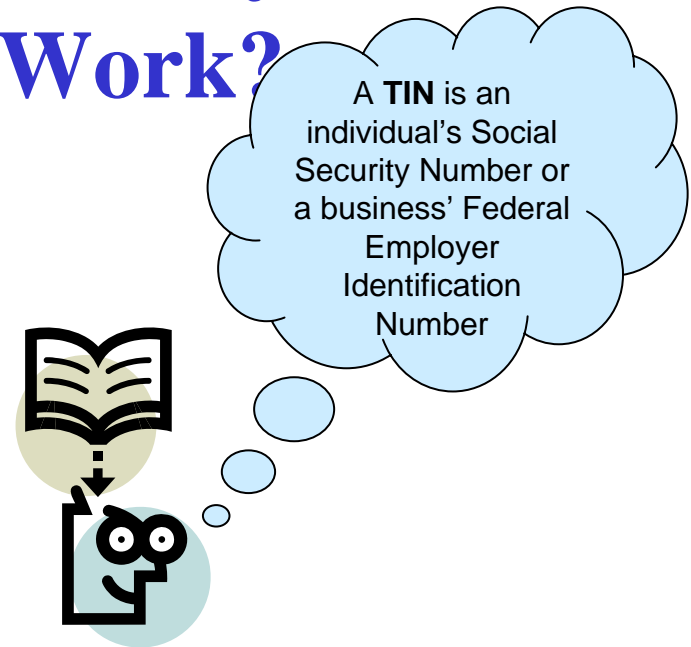
- Federal and state agencies submit eligible debts to TOP and certify that debts are valid, delinquent, and legally enforceable, and that all due process prerequisites have been met
- Due process prerequisites include:
 - 60-day prior notice to debtor
 - Opportunity to dispute the debt



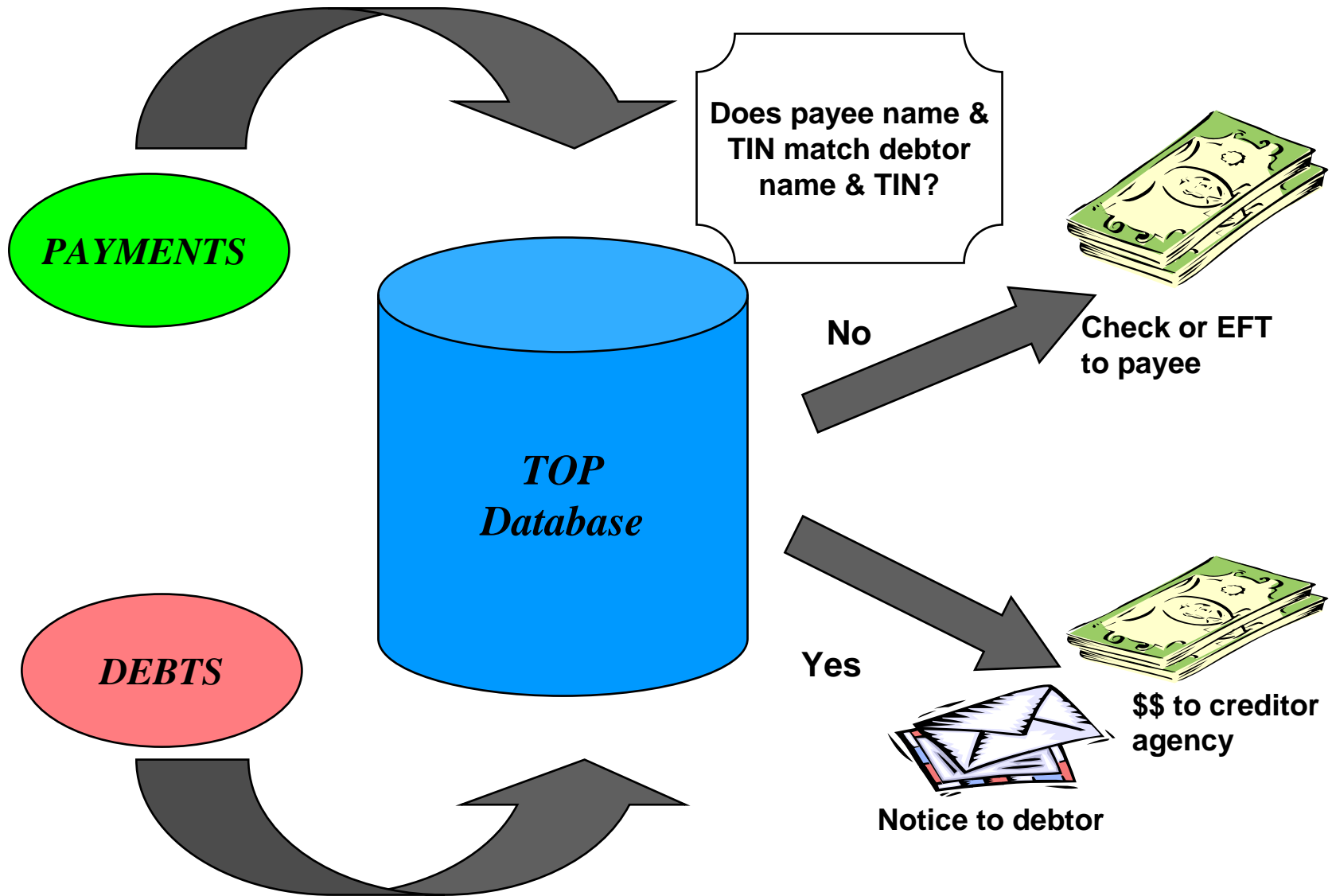


How Does the Treasury Offset Program Work?

- TOP compares payee names and Taxpayer Identification numbers (TINs) on Federal payment certification vouchers to names and TINs of debtors in TOP's debtor database
- When a match occurs on both, TOP intercepts, or "offsets," all or part of a payee's eligible Federal payment
- FMS notifies the payee and the payment agency about the offset



TOP Process





TOP Legal Authorities

Various statutes govern the TOP process depending upon the type of payment offset and the type of debt collected



TREASURY OFFSET PROGRAM - LEGAL AUTHORITIES

<u>Type of Payment Offset/Levy</u>	<u>Type of Debt Collected</u>	<u>Statutory Authority</u>	<u>Regulatory Authority</u>	<u>Amount Deducted</u>
Federal tax refund	Federal non-tax debts	26 U.S.C. 6402(d) 31 U.S. C. 3720A	31 CFR 285.2 Creditor agency regulations	100%
Federal tax refund	Child support debts	26 U.S.C. 6402(c) 42 U.S.C. 664	31 CFR 285.3 45 CFR 303.72 HHS procedures	100%
Federal tax refund	State income tax debts	26 U.S.C. 6402(e)	31 CFR 285.8	100%
Social Security, Black Lung, & Railroad Retirement (benefit payments)	Federal non-tax debts (may not be offset to collect child support or other debts owed to States)	31 U.S.C. 3716	31 CFR 285.4	Lesser of 15%, or amount over \$750
Federal salary payments	Federal non-tax debts	5 U.S.C. 5514 31 U.S.C. 3716	5 CFR 550.1101 31 CFR 285.7 Creditor agency regulations	15%
Federal salary payments	Child support debts	31 U.S.C. 3716(h)	31 CFR 285.1 State law & regulations HHS procedures	50%-65%
Federal non-tax, non-salary, non- benefit (includes civil service retirement)	Federal non-tax debts	31 U.S.C. 3716	Federal Claims Collection Standards (31 CFR Parts 900- 904) 31 CFR 285.5 Creditor agency regulations	100%, except as otherwise provided by law (25% for retirement)
Federal non-tax, non-salary, non- benefit (includes civil service retirement)	Child support debts	31 U.S.C. 3716(h)	31 CFR 285.1 State law & regulations HHS procedures Exec. Order 13019	100%, except as otherwise provided by law (25% for retirement)
Federal non-tax, non-benefit	State debts	31 U.S.C. 3716(h)	31 CFR 285.6	100%, except as otherwise provided by law
Tax levy of non-tax Federal payments	Federal tax debts	26 U.S.C. 6331(h)	26 CFR 6331-1 <i>et seq.</i>	15% 100% for certain vendor payments



Treasury Offset Program Debts



Debts Eligible for TOP

- Delinquent debts that are legally enforceable.
- Legally enforceable means there has been a final determination the debt is due and there are no bars to collection
- Agency has provided due process



Debts Ineligible for TOP

- Not legally enforceable (i.e. in bankruptcy, foreclosure, forbearance or under appeal)
- At the Department of Justice
- Over the applicable statute of limitations for offset
- Owed by a foreign sovereign
- Owed by another Federal agency



Priority of Debts in TOP

- IRS Income Tax Debts
- Child Support Debts (Temporary Assistance to Needy Families)
- Federal Non-Tax Debts
- Other Child Support Debts (Non-TANF*)
- State Debts

* Non-TANF debts will have the same priority as TANF debt in October 2008



Priority of Debts in TOP

- When more than one debt is submitted for the same debtor, TOP applies funds collected in accordance with priorities set by statute and policy
- If a debtor has two or more debts of the same priority, TOP applies funds to the oldest debt first



General Rules For All Debts Submitted to TOP

(31 CFR Part 285, Subpart A)

- Debts must be:
 - Delinquent & legally enforceable
 - Less than 10 years old (except for judgment debts, student loans, and certain state income tax debts)
 - \$25 or more, except for salary which is \$100
- Federal agencies must submit delinquent debts to TOP, including debts owed by state & local governments



General Rules For All Debts Submitted to TOP

- Creditor agency must submit certification with debts
 - Accomplished electronically if agency signs annual agreement to certify debts
 - Certified for the life of the debt; agency responsible for inactivating debts if they become ineligible for TOP (bankruptcy, debt paid in full)
- Certification states that debt meets eligibility requirements and that all due process prerequisites, including state law prerequisites, have been met



General Rules For All Debts Submitted to TOP

- TOP sends warning notices to debtors for recurring payments (e.g., monthly retirement benefits)
- TOP sends notice of any offset to the debtor
 - Notice includes date and amount of offset, creditor agency to which offset money was sent, and contact point within the creditor agency
- States will send offset notices under Reciprocal Agreement Program
- NTDO agencies may choose to send their own offset notices



TOP Debtor Database (as of December 2007)



\$136.2 billion → Federal tax debts

\$92.6 billion → Child support debts enforced by states

\$44.4 billion → Federal non-tax debts

\$ 7.5 billion → State debts

TOTAL \$\$ → \$280.7 billion



Treasury Offset Program Payments



TOP – Payments

- **Tax refund** payments may be offset up to 100%
- **Vendor** payments and **Federal employee travel advances & travel reimbursements** may be offset up to 100%
- **Salary** payments limited to 15% of disposable pay, except when collecting child support (limit increases to 50-65%)
- **OPM retirement** payments limited to 25%
- **Social Security** and **Railroad Retirement** payments limited to 15%
- **State payments** may be offset up to 100%



TOP – Exemptions/Payments

- Payments exempted by law, e.g. student loan payments, veterans' benefits
- Payments exempted by Treasury
- Means-tested payments
- Non means-tested payments – if offset would tend to interfere with or defeat the purpose of the program



Fees

- Treasury charges a fee of \$17.00 for tax refund and administrative offsets



Benefit Payment Offset (BPO)

- 60 and 30 Day Warning Letters are sent out
- Offset Letter sent out when offset occurs
- 15 % is the *Maximum* amount that a beneficiary's benefit payment will be offset for a non-tax debt
- Amount of offset will be the lesser of the amount of the debt; an amount equal to 15% of the monthly benefit payment; or the amount by which the benefit payment exceeds \$750
- No payment of \$750.00 and under will be offset
- Supplementary Security Income (SSI) payments are *NOT* subject to offset



What is Federal Employee Salary Offset?

- Federal agencies collect debts owed by a Federal employee through installment deductions from the employee's pay
- Salary Offset limits 15% of “disposable pay” for Federal non-tax debts



What is Disposable Pay?

- The dollar amount left after the following deductions:
 - Tax levies
 - Properly withheld taxes, FICA, Medicare
 - Health and life insurance premiums
 - Retirement contributions

Does NOT include amounts deducted under a garnishment



What's Different for the Salary Offset Process?

- Minimum dollar amount for a debt referred for Salary Offset is \$100.00
- Salary Offset will always take the debt balance to zero
- Uses record types and reason codes to communicate between TOP, Salary Payment Agency (SPA), and Creditor Agencies
- SPA can charge a one time administrative fee and/or a per offset fee plus the TOP offset fee



Centralized Salary Offset

Participating Salary Payment Agencies:

- ✓ Interior
- ✓ National Finance Center
- ✓ DoD-DFAS
- ✓ U.S. Postal Service
- ✓ GSA





NTDO Vendor Offset Program

- Implemented with the following:
 - DoD in December 2002
 - State of Maryland in June 2007
 - State of New Jersey in July 2007
 - Army Corps of Engineers in July 2007
- Not a real time process
- Potential to over collect the debt
- USPS will participate in the future



State Income Tax Program



State Income Tax Program

- States can refer delinquent income tax debts to TOP for offset against Federal tax refund payments only
- Currently 39 states and the District of Columbia participate in the program
- Mississippi plans to participate in Spring 2008



State Income Tax Program

- Special requirements for tax refund offset to collect state income tax obligations (26 U.S.C. 6402(e)):
 - States must send 60-day notice to debtors by *certified mail, return receipt requested*
 - Taxpayers must reside in the state to which the tax obligation is owed (based on address on Federal tax return for year of refund)



State Reciprocal Agreement Program



State Reciprocal Agreement Program

- States will refer debts to TOP for offset against Federal vendor payments and state payments will be matched against Federal non-tax debts
- Interim draft rule on Administrative Offset Under Reciprocal Agreements with States (31 CFR 285.6) published in the Federal Register on January 11, 2007
- States must enter into an agreement with FMS
- Pilot began with the State of Maryland on June 11, 2007 and with the State of New Jersey on July 2, 2007



State Reciprocal Agreement Program

	ADMINISTRATIVE OFFSET (offset of Federal payments to collect State debts)	STATE PAYMENT OFFSET (offset of State payments to collect Federal nontax debts)
Statutes	31 U.S.C. 3716	State law and 31 U.S.C. 3716(h)
Regulations	New rule at 31 CFR 285.6	State regulations, if any, and 31 CFR 285.6
Debts to be collected	State debts (including tax) other than: <ul style="list-style-type: none"> • child support • debts owed by other governments -- State, local, foreign, etc. 	Nontax debts owed to the United States
Payments to be offset	All Federal payments except: <ul style="list-style-type: none"> • payments exempt under 31 CFR 285.5 • Federal benefit payments • Tax refunds • Salary • Other payments specified in the reciprocal agreement 	All State payments, as authorized by applicable State laws and the reciprocal agreements.
Creditor Agencies	Voluntary for States as creditor agencies	Voluntary for Federal creditor agencies to participate
Payment Agencies	No discretion for payment agencies	State payment agencies participate according to State law and reciprocal agreement
Due Process Requirements	31 U.S.C. 3716 and new rule	State Law



CY 2007 Collections



Administrative Offsets	\$205.2 Million
Tax Refund Offset – Child Support	\$1.7 Billion
Tax Refund Offset – Federal Nontax Debt	\$1.2 Billion
Tax Refund Offset – State Income Tax Debt	\$243.4 Million
Tax Levy	\$359 Million



What's New?



DMS Common Client

- Web-based Client is a rewrite of existing Client
- Agencies will access through the internet
- Two factor authentication:
 - PKI (Public Key Infrastructure) certification
 - Password
- Slated for rollout in September 2008



Barring Delinquent Debtors



Barring Delinquent Debtors

- Under the DCIA, delinquent debtors are ineligible for financial assistance in the form of a Federal loan or loan guaranty/insurance, until the delinquency is resolved
- Loan granting, guarantying and/or insuring agencies are required to bar delinquent debtors



Barring Delinquent Debtors

Agency Responsibilities:

- Conduct all due process as quickly as possible (including any requested hearings or appeals)
- Report delinquent debts to credit bureaus and Federal delinquent debtor databases (CAIVRS and Debt Check)
- Be aware that delinquent debtors who are applicants for loans or loan guaranties/insurance may contact the agency to resolve their delinquent debts in order to remove the bar



Other Delinquent Debtor Databases

- Other Federal delinquent debtor databases are available for Federal agencies to assist them in barring delinquent debtors from loans and loan guarantees:
 - **CAIVRS** – Maintained by the Department of Housing and Urban Development
 - **Debt Check** – FMS' TOP delinquent debtor database extract



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Cross-Servicing

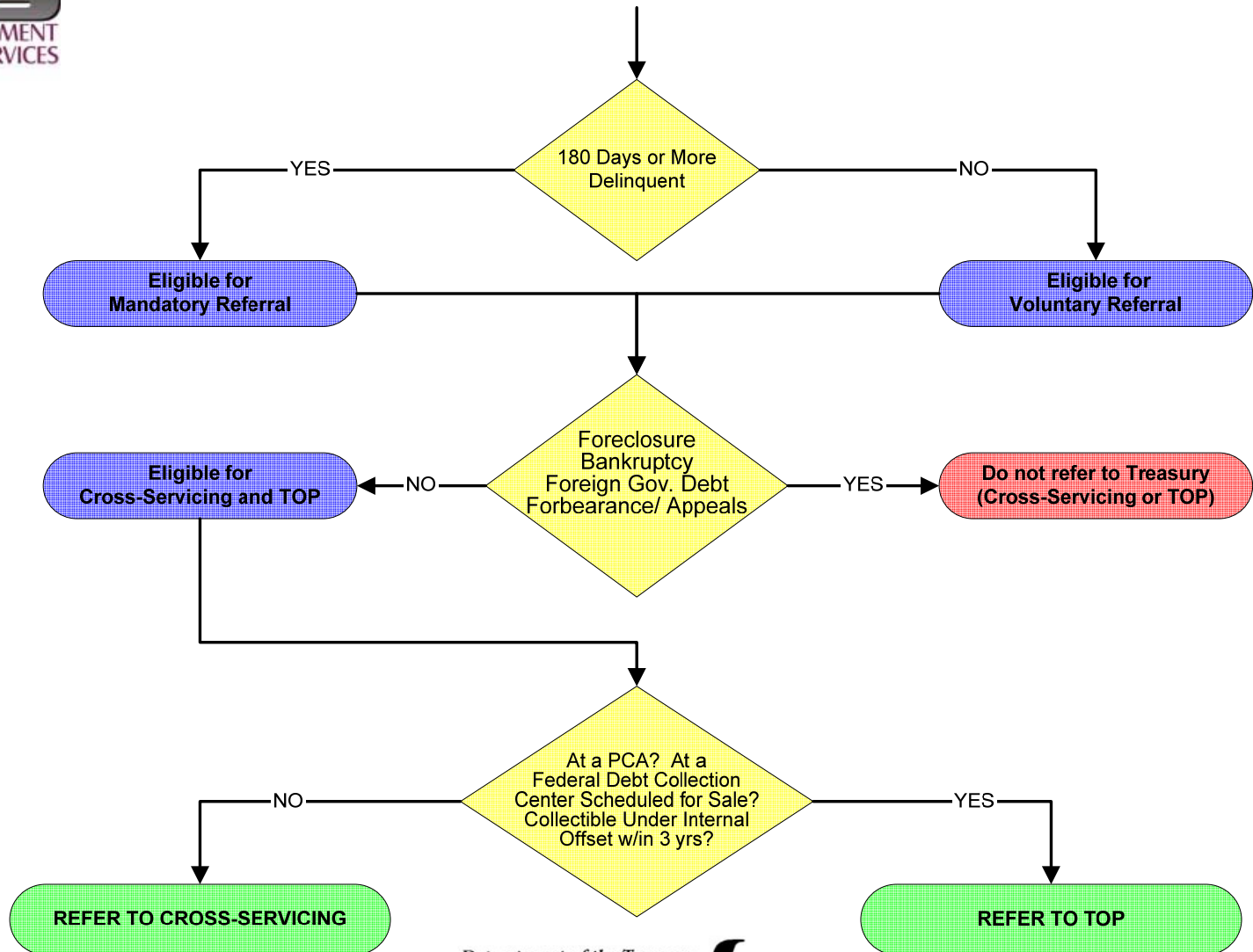


Debt Collection Improvement Act of 1996

- Maximize collections through employing all appropriate tools
- Centralize debt collection within Treasury
- Require proper screening of potential borrowers
- Foster information sharing between Treasury and Federal agencies
- Inform public of collection policies and procedures to ensure due process for debtors
- Encourage sale of delinquent debt
- Utilize the expertise of private sector contractors



What do I do with my debt?





PRIOR TO REFERRAL



Steps to Take

- Manage Debt Portfolio
 - Collateral Liquidation
- Provide Due Process
 - Agency Demand Letter
 - Debtor Inquiries / Hearings
- Enroll in DMS Cross-Servicing



Collateral Liquidation

Involves obtaining property (collateral) as security for the repayment of a loan.

- This property is subsequently sold to a third party and converted into cash (liquidation)
- These funds are then applied to the remaining debt balance



Agency Demand Letter

- Must be sent at least 60-days prior to referral
- The following information should be included in a Federal agency's written communication with a debtor:
 - Nature and amount of the debt
 - Explanation of the accrual of interest, penalties, and administrative costs
 - Date by which payment should be made to avoid late charges and enforced collection
 - Contact information for an individual or office within the creditor agency



Agency Demand Letter Guidance

See the Demand Letter Checklist in

Managing Federal Receivables, Appendix 8, at:

www.fms.treas.gov/debt/mfr/appendix8.pdf

Fair Debt Collection Practices Act (FDCPA),
15 U.S.C. 1681 et seq., the FDCPA provides
valuable guidance on appropriate practices in
communicating with debtors



Enrollment in Cross-Servicing

- Sign a Letter of Agreement detailing responsibilities of DMS and Creditor Agency
- Certify the following before referring debts for cross-servicing:
 - debts are valid and legally enforceable
 - due process has been completed
- Cease all collection activity after referring the debt to Treasury



Agency Profile

- Identifies points of contact
- Defines how DMS will service an agency's debt(s)
- Establishes payment agreement parameters



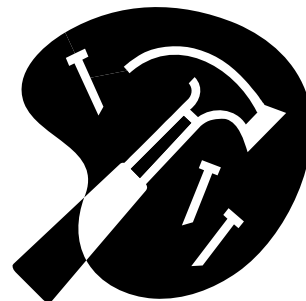


CROSS-SERVICING COLLECTION TOOLS



Collection Tools

- DMS Demand Letters & Phone Calls
- Payment Agreement Options
- Treasury Offset Program
- Credit Bureau Reporting
- Private Collection Agencies
- Administrative Wage Garnishment
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout





Payment Agreements

Repayment Agreement

- Lump Sum
- Installments
- Partial Payment Agreements

Compromise Agreements

- Lump Sum
- Installment





Treasury Offset Program

- A TIN is **REQUIRED** for TOP referral
- Any debtor on a debt can be referred to TOP
- The Treasury Offset Program assesses a fee
- Agencies can select ‘bypass indicators’ on their profile to mark a category of payments as exempt from offset
- Debts must be at least \$25 in order to be eligible for TOP referral



Credit Bureau Reporting (CBR)

- Agencies must indicate via the profile whether DMS can perform CBR on its behalf
 - Consumer CBR begins 60 days after referral and occurs monthly
 - Commercial CBR begins 30 days after referral and occurs quarterly
- DMS researches and responds to CBR disputes
- Agencies are asked to respond to CBR disputes within 7 days



Private Collection Agencies

- Contracted by DMS to collect or resolve debt
- Must adhere to established guidelines
- Performance Based Rewards
 - Increased commissions
 - A greater number of debt referrals



Private Collection Agencies

- Use collection tools similar to BDMOC
- Subject to DMS monitoring
 - PCA collection system
 - Annual compliance reviews



Private Collection Agencies

- Debts must be at least \$100 to be eligible for PCA referral
- Single debtor debts can be linked for distribution to the same PCA
- Debts can also be resolved via an administrative resolution in the event of the debtor's:
 - Death
 - Bankruptcy
 - Disability/inability to pay
 - Entity out of business (commercial debtor)



Administrative Wage Garnishment

- Only applicable to consumer debts
- Retention of up to 15% of a private sector employee's disposable wages without a court order
- Can be implemented by PCAs or DMS
- Form issued to debtor's employer with instructions to send portion of wages to Treasury
- Funds received from debtor's employer applied to individual's debt balance



Department of Justice (DOJ)

- Referred for initiation of litigation or post-judgment enforcement
- Debts are evaluated by DMS to determine referral potential





1099-C Reporting

- If a debt is compromised agencies are required to report the difference between the full amount of the debt and the compromised amount to IRS as taxable income for the debtor
- If a debt is discharged, agencies are required to report the amount of the debt to the IRS as taxable income for the debtor



Review Cross-Servicing Collection Tools

- Demand Letters & Phone Calls
- Payment Agreement Options
- Treasury Offset Program
- Credit Bureau Reporting
- Private Collection Agencies
- Administrative Wage Garnishment
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout





FED-DEBT SYSTEM



What is FedDebt?

- A debt and debtor-based system which allows:
 - Joint and Several debt processing
 - DMS demand letter to be sent to each debtor
 - Users to update debt and/or debtor information
 - Multiple Payment Agreements for a debt
 - Removal of a debtor from the debt without closing the entire debt



How are debts entered into FedDebt?

Agencies can refer debts

- Electronically
- On-line





CROSS-SERVICING FINANCIALS



How Cross-Servicing Financials Works

- Monitors three categories of financial transactions
 - Payments
 - Reversals
 - Adjustments
- The system is updated daily with lockbox payments



Payment Hierarchy

Payments are applied to the debt balance in the following order:

1. Fees
2. Penalties
3. Administrative cost
4. Interest
5. Principal



Reporting Financial Transactions

- Federal agencies can report financial transactions
 - Electronically
 - On-line
- Authorized users can access FedDebt to process financial transactions



Transaction Date vs. Posting Date

- Transaction Date: The date a payment is deposited by the bank
- Posting Date: The date a payment is applied to a debt in FedDebt



Historical Recalculation

- Occurs when:
 - A transaction is reversed after being posted in FedDebt
 - A payment is posted out of date order
- Transactions are listed in financial history by 'transaction date'



Cash vs. Non-Cash Transactions

Cash: Financial transactions which result in the movement of funds between the Creditor Agency and DMS (ex. lockbox payment)

Non-Cash: Financial transactions which change the balance of the debt, but do not result in the exchange of funds (ex. balance adjustment)



Collections from Cross-Servicing

- ***How do agencies get their cash?***
 - Intra-governmental Payment and Collection (IPAC)
 - EFT/Check
- ***How can agencies obtain collection details?***
 - Financial Activity Detail Report within FedDebt
 - Electronic collection file



Questions?

